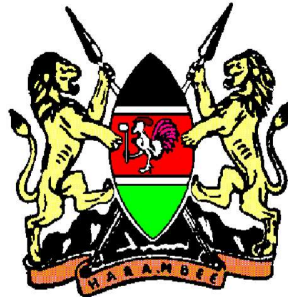


**REPUBLIC OF KENYA**



**COUNTY GOVERNMENT OF KERICHO**

**DEPARTMENT OF FINANCE AND ECONOMIC PLANNING**

**COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C- BROP)**

**SEPTEMBER**

**2023**

## **FOREWORD**

The County Budget Review and Outlook Paper (CBROP) 2023 has been prepared in line with Section 118 of the Public Finance Management (PFM) Act 2012. It presents the recent economic developments and actual fiscal performance of the FY 2022/2023 and makes comparisons to the budget appropriations for the same year. In this Paper, we will also provide an overview of how the actual performance of the FY 2022/2023 affected the County's compliance with the fiscal responsibility principles and the financial objectives.

The updated economic and financial outlook presented in this paper will set out the broad fiscal parameters for preparation of the next budget. In particular, the provisional ceilings presented are intended to act as a guide to sector working groups in preparing their budgets.

It is therefore my expectation that the policy paper will be useful in enhancing financial discipline and fiscal responsibilities outlined in Section 107 of the PFM Act 2012 that will contribute towards the realization of aspiration of the residents of Kericho County.

Hon. Leonard Ngetich

**C.E.C – Finance and Economic Planning and Head of County Treasury**

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## **ACRONYMS**

CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CBK	Central Bank of Kenya
CBROP	County Budget Review and Outlook Paper
CFSP	County Fiscal Strategy Paper
CPI	Consumer Price Index
FIF	Facility Improvement Fund
FY	Financial /Fiscal year
GDP	Gross Domestic Product
SDR	Special Drawing Rights
IFMIS	Integrated Financial Management Information Systems
MTEF	Medium Term Expenditure Framework
MTFF	Medium Term Fiscal Framework
MTP	Medium Term Plan
PFM Act	Public Finance Management Act

## **1.0 BACKGROUND**

The main objective of the County Budget Review and Outlook Paper (CBROP) are to provide a review of the actual fiscal performance in the previous year compared to the budget appropriation for that year and to specify the updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP). Finally, to give reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

### **1.1 LEGAL BASIS FOR THE PREPARATION OF THE COUNTY BUDGET REVIEW AND OUTLOOK PAPER (C-BROP)**

Section 118 of the Public Financial Management Act, 2012 states that:

- 1) A County Treasury shall –
  - (a) Prepare a County Budget Review and outlook Paper in respect of the County for each Financial Year, and
  - (b) Submit the paper to the County Executive Committee by the 30<sup>th</sup> September of that year.
- 2) In preparing its County Budget Review and Outlook Paper, the County Treasury shall specify-
  - (a) The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year.
  - (b) The updated economic and financial forecasts with sufficient information to show changes from the forecast in the most recent County Fiscal Strategy Paper.
  - (c) Information on –
    - (i) Any changes in the forecasts compared with County Fiscal Strategy Paper, or

- (ii) How actual financial performance for the previous Financial Year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the County Fiscal Strategy Paper for that Financial Year; and
  - (d) Reasons for any deviation from the financial objectives in the County Fiscal Strategy Paper together with proposals to address the deviation and the time estimated for doing so.
- 3) The County Executive Committee shall consider the County Budget Review and Outlook Paper with a view to approving it, with or without amendments, within fourteen days after its submission.
- 4) Not later than seven days after the County Budget Review and Outlook Paper is approved by the County Executive Committee, the County Treasury shall-
- a) arrange for the Paper to be laid before the County Assembly; and
  - b) as soon as practicable after having done so, publish and publicize the Paper.

Under section 137 of the PFM Act 2012, the County Budget and Economic forum purpose shall be;

- (a) Preparation of county plans, the County Fiscal Strategy Paper and the Budget Review and Outlook Paper for the county; and
- (b) Matters relating to budgeting, the economy and financial management at the county level.

**1.1.1. Fiscal Responsibility Principles in the Public Financial Management Law.**

1. The Public Financial Management Act, 2012, sets out the fiscal responsibility principles to ensure prudence and transparency in the management of public resources. Section 107 avers that:

- 1) A County Treasury shall manage its public finances in accordance with the principle of fiscal responsibility set out in subsection (2) and shall not exceed the limits stated in the regulations.
- 2) In managing the county government's public finances, the County Treasury shall enforce the following fiscal responsibility principles-
  - (a) The County government recurrent expenditure shall not exceed the county government's total revenue.
  - (b) Over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure:
  - (c) The county government's expenditure on wages and benefits for the Public Officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive Member for Finance in regulations and approved by the County Assembly.
  - (d) Over the medium term, the government's borrowings shall be used for the purpose of financing development expenditure and not for recurrent expenditure i.e., the county debt shall be maintained at a sustainable level as approved by the County Assembly.

## **2.0 REVIEW OF FISCAL PERFORMANCE IN FINANCIAL YEAR 2022/2023**

### **2.1 OVERVIEW**

The County's approved final Supplementary Budget for FY 2022/23 was Kshs.8.45 billion, comprising of Kshs.5.8 billion (69 per cent) and Kshs.2.6 billion (31 per cent) allocation for development and recurrent programmes respectively.

To finance the budget, the County expected to receive Kshs.6.4 billion (76 per cent) as equitable share of revenue raised nationally, Kshs.8.9 million (0.11 per cent) as total conditional grants, Kshs 473.76 million (5.6 per cent) as donor funds, generate Kshs.1.019 billion (12.06 per cent) from own sources of revenue, Insurance

Compensation of Kshs 5.8 million (0.07 per cent) and had Kshs.515.16 million (6.09 per cent) as cash balance from FY 2021/22.

*Table 1: Summary of Final 2 Supplementary Budget FY 2022/23*

	Line Ministries/Departments	RECURRENT SUPPL 2	DEVELOPMENT SUPPL 2	TOTAL SUPPL 2	%
1	County Assembly Services	933,813,928	45,673,899	979,487,827	12%
2	Public Service & Administration	424,870,257	5,950,340	430,820,597	5%
3	Office of the Governor & Deputy governor	166,179,145	-	166,179,145	2%
4	County Public Service Board	57,471,889	-	57,471,889	1%
5	Finance & Economic Planning	451,244,683	565,848,203	1,017,092,886	12%
6	Health Services	2,628,069,196	421,551,852	3,049,621,048	36%
7	Agriculture, Livestock Development & Fisheries	177,040,742	365,575,812	542,616,554	6%
8	Education, Youth Affairs, Culture & Social Services	532,762,085	140,670,280	673,432,365	8%
9	Public Works, Roads & Transport	82,915,604	564,869,856	647,785,460	8%
10	Trade, Industrialization, Tourism, Wildlife & Cooperative Development	61,029,360	3,120,186	64,149,546	1%
11	Water, Energy, Natural Resources & Environment	154,934,193	363,492,253	518,426,446	6%
12	Land, Housing & Physical Planning	99,122,639	96,434,313	195,556,952	2%
13	Information, Communication & E-Government	55,833,107	36,361,897	92,195,004	1%
14	STRATEGIC INTERVENTION		18,737,382	18,737,382	0%
	<b>TOTAL EXPENDITURE</b>	<b>5,825,286,828</b>	<b>2,628,286,272</b>	<b>8,453,573,101</b>	<b>100%</b>

*Table 2: Shows the expected sources of budget financing in the FY 2022/23*

FINANCIAL YEAR 2022/23	Supplementary II
<b>Revenue Description</b>	
1.CRA Equitable share	6,430,664,924
2.Local Collections	385,071,600
3.Facility Improvement Fund & NHIF Rebates	634,316,453
<b>4.CONDITIONAL GRANTS</b>	-
4A. Routine Maintenance Fuel Levy	8,916,435
<b>5. DONOR FUNDS</b>	-
5A. DANIDA FUND	9,180,000
5B. Agricultural Sector development support Fund (ASDSP II)	43,114,132
5C. Transformative health system (world bank)	75,443,658
5D. Kenya Devolution Support Project (world bank)	102,491,953
5E. Climate Smart Agriculture Project (world bank)	149,190,522
5F. Kenya Urban Support Program UDG (SIDA)	1,194,559
5F. Kenya Urban Support Program UIG (SIDA)	1,145,356
5G. Climate Change Institutional Support (World bank)	22,000,000



5H. IDA National Agricultural Value Chain Devt Project (NAVCDP)	70,000,000
Insurance compensation	5,678,000
UNSPENT FUND	515,165,509
<b>Gross Total</b>	<b>8,453,573,101</b>

## 2.2 FISCAL PERFORMANCE

### 2.2.1 Revenue

During FY 2022/23, the County received Kshs. 6.430 billion as equitable share of revenue raised nationally, Kshs. 8.9 million as total conditional grants, Kshs 410.8 million as donor funds, insurance compensation of Kshs 5.678 million and had a cash balance of Kshs.515 million from FY 2021/22. The County also raised Kshs.501.3 million from its own source revenue.

In overall, actual income received by the County Treasury reflected a deficit of Kshs 580.7 million attributable to delayed releases the Donors Funds and Own source revenue target was not achieved by Kshs 518 million including the FIF and NHIF rebates.

*Table 3: Analysis of Exchequer Releases per Quarter*

	<b>Kshs</b>
Total Exchequer Releases for quarter 1	1,061,059,713
Total Exchequer Releases for quarter 2	1,061,059,712
Total Exchequer Releases for quarter 3	1,061,059,712
Total Exchequer Releases for quarter 4	3,247,485,787
<b>Total</b>	<b>6,430,664,924</b>

Table 4: Analysis Own Source Revenue by Streams

Revenue Stream	ANNUAL PROJECTION FY 2022-23	2022/2023 Q1 ACTUAL	2022/2023 Q2 ACTUAL	2022/2023 Q3 ACTUAL	2022/2023 Q4 ACTUAL	YTD ACTUAL	VARIANCE
Hospital Payments	528,196,453	46,530,875	35,610,973	58,201,020	80,804,702	221,147,570	(307,048,883)
Bus Park Fees	25,000,000	3,158,922	3,695,990	4,422,070	4,103,430	15,380,412	(9,619,588)
Market Fees	30,000,000	3,348,240	4,218,930	4,193,170	4,324,085	16,084,425	(13,915,575)
Car Park Fees	15,000,000	2,894,650	2,898,850	2,561,700	3,049,500	11,404,700	(3,595,300)
Single Business Permit	65,000,000	1,981,500	2,329,000	37,553,000	19,239,100	61,102,600	(3,897,400)
Advertisement, Branding and Billboard Fees	10,000,000	3,967,100	1,143,899	6,150,440	3,141,024	14,402,463	4,402,463
Land and Property Rates Fees	90,000,000	2,642,859	2,524,169	985,045	45,900	6,197,973	(83,802,027)
Public Health Payments	5,000,000	1,207,600	877,900	1,193,100	750,700	4,029,300	(970,700)
House Rent Fees	10,000,000	1,622,350	5,837,900	-2,424,400	2,199,079	7,234,929	(2,765,071)
Building Plan Approvals Fees	10,000,000	731,220	1,173,090	3,246,775	2,179,035	7,330,120	(2,669,880)
Weights and Measures Fees	5,000,000	203,740	1,093,810	685,030	229,230	2,211,810	(2,788,190)
Quarry Stone Cess	3,000,000	481,400	449,700	655,300	778,300	2,364,700	(635,300)
Agriculture Livestock , Veterinary Payments and Machinery Services.	2,500,000	528,330	621,645	584,585	368,115	2,102,675	(397,325)
Signages Fees	6,000,000	77,900	181,500	3,459,600	1,070,700	4,789,700	(1,210,300)
Slaughterhouse Operation Fees	1,500,000	291,500	304,940	315,900	257,260	1,169,600	(330,400)
Stockyard Sales Fees	2,000,000	414,420	494,380	438,220	380,760	1,727,780	(272,220)
Boda Boda Payments	5,000,000	2,100	1,500	28,200	13,000	44,800	(4,955,200)
Reserved Parking Fees	2,000,000	-	832,000	2,198,400	403,500	3,433,900	1,433,900
Refuse Fees	8,000,000	146,400	168,800	4,340,200	1,812,600	6,468,000	(1,532,000)
Plot Rent	2,000,000	139,913	946,793	1,089,776	241,566	2,418,048	418,048
Produce Cess	2,500,000	1,232,834	4,057,887	-3,811,460	1,562,467	3,041,728	541,728
Nema Fees, Drilling Services	250,000	400,000	140,000	353,500	85,000	978,500	728,500
Fire License Fees	6,000,000	202,300	165,400	2,708,700	1,057,100	4,133,500	(1,866,500)
Survey Fees	700,000	101,000	133,000	152,800	85,000	471,800	(228,200)
Murram, Ballast , Sand & Scrap Metal Cess Fees	1,000,000	57,700	199,700	213,600	451,900	922,900	(77,100)
Inspection Fees	2,500,000	95,000	72,100	1,321,700	800,700	2,289,500	(210,500)
Application/Registration Fees	2,500,000	80,200	43,000	828,200	770,500	1,721,900	(778,100)
Forest Cess/Seedling Sale Yard	500,000	58,800	41,200	59,300	343,400	502,700	2,700
Clamping, Fines and Impounding Fees	300,000	21,800	123,100	81,450	105,650	332,000	32,000

Revenue Stream	ANNUAL PROJECTION FY 2022-23	2022/2023 Q1 ACTUAL	2022/2023 Q2 ACTUAL	2022/2023 Q3 ACTUAL	2022/2023 Q4 ACTUAL	YTD ACTUAL	VARIANCE
Business Permits Late Payment Penalties, Current Year	500,000	29,750	4,631	7,100	459,621	501,102	1,102
Tea Transport Cess fees	100,000	-	-	73,500	0	73,500	(26,500)
Audit Fees	50,000	3,000	3,000	12,000	27,000	45,000	(5,000)
Cemetery Fees	15,000	2,000	2,000	5,000	2,500	11,500	(3,500)
Hire Of Social Hall/Park & Stadium Fees	450,000	221,000	31,500	21,500	20,000	294,000	(156,000)
Alcoholic Drink License Fees	5,000,000	-	-	3,000,000	2,000,000	5,000,000	-
Coffee Fees	750,000	1,000	-	0	0	1,000	(749,000)
Land Cultivation Fees	500,000	-	-	15,883,692	66,926,718	82,810,410	82,310,410
Kabianga Tea Farm Payments	5,000,000	300,000	-	600,000	600,000	1,500,000	(3,500,000)
Insurance Compensation	0	5,678,000	-	0	-	5,678,000	5,678,000
<b>TOTAL REVENUE STREAMS</b>	<b>853,811,453</b>	<b>78,855,403</b>	<b>70,422,287</b>	<b>151,387,713</b>	<b>200,689,142</b>	<b>501,354,545</b>	<b>(352,456,908)</b>

Table 5: Analysis of Receipt from Conditional Grants

<b>CONDITIONAL GRANTS</b>	
Routine Maintenance Fuel Levy	8,916,435
<b>Total Conditional Grants</b>	<b>8,916,435</b>

Table 6: Analysis of Donor Funds Receipts.

<b>DONOR FUNDS</b>	
DANIDA FUND	5,960,625
Agricultural Sector development support Fund (ASDSP)	9,250,013
Transformative health system (world bank)	75,443,658
Kenya Devolution Support Project (world bank)	102,491,953
Climate Smart Agriculture Project (world bank)	126,184,585
Kenya Urban Support Program UDG (WORLD BANK)	1,194,559
Kenya Urban Support Program UIG (WORLD BANK)	1,145,356
Climate Change Institutional Support (World bank)	22,000,000
National Agricultural Value Chain Devt Project (NAVCDP)	67,192,729
	<b>410,863,478</b>

### 2.2.2 Expenditure performance

Total expenditure amounted to Kshs. 7.622 billion comprising of Kshs 5.43 billion and Kshs 2.19 billion for recurrent and development expenditure respectively compared to previous year 2021/22 with a total of Kshs 6.36 billion of which Kshs 4.33 and Kshs.2.03 billion represented expenditures for recurrent and development respectively

Table 7: FY 2022/2023 Total Expenditure Analysis (Excluding County Assembly)

Expense Category	Final Approved Budget	Total Expenditure	Variance (Kshs)	Absorption Rate (%)
Recurrent	5,825,286,828	5,431,889,016	393,397,812	93%
Development	2,628,286,272	2,190,789,976	437,496,296	83%
<b>TOTAL</b>	<b>8,453,573,100</b>	<b>7,622,678,993</b>	<b>830,894,108</b>	<b>90%</b>

Source: County Treasury

### Global Expenditure analysis

Overall, the absorption rate for consolidated expenditure was 90% which was equivalent to Kshs. 7,622,678,993 against allocation of Kshs. 8,453,573,101.

Table 8: Expenditure Analysis by County Entity

DEPARTMENT: EXECUTIVE OFFICE OF THE GOVERNOR							
Programme	Sub-Programme	Approved Supplementary 2 Estimates FY 2022/23 (Kshs.)		Actual Expenditure Jul 22 - Jun 23 (Kshs.)		Absorption Rate	
		Recurrent Expenditure	Development Expenditure	Recurrent Expenditure	Development Expenditure	Rec	Dev
County Coordination Services	County Coordination Services	166,179,145	-	169,717,643	-	102%	
		<b>166,179,145</b>	<b>-</b>	<b>169,717,643</b>	<b>-</b>	<b>102%</b>	
DEPARTMENT: FINANCE AND ECONOMIC PLANNING							
Administration, Planning and Support Services.	Administration Services.	389,808,359	531,007,953	372,366,744	453,233,260	96%	85%
Administration, Planning and Support Services.	Monitoring Budget Implementation and Reporting	39,367,385	-	39,344,031	-	100%	
Public Finance Management	Budget Formulation coordination and management	14,443,300	53,577,631	14,021,990	35,874,870	97%	67%
Audit Services	County Audit	7,625,639	-	7,625,639	-	100%	
		<b>451,244,683</b>	<b>584,585,584</b>	<b>433,358,404</b>	<b>489,108,129</b>	<b>96%</b>	<b>84%</b>
DEPARTMENT: AGRICULTURE, LIVESTOCK AND FISHERIES							
Policy, Strategy and Management of Agriculture	Development of Agricultural Policy, Legal & Regulatory framework.	47,661,253	2,000,000	43,058,607	1,999,950	90%	
Crop Development and Management	Agriculture Extension Services	63,045,165	350,241,329	57,848,456	300,077,894	92%	86%
Livestock Resource Management and Development	Livestock Disease Management and Control.	3,653,808	12,334,483	2,898,545	25,388,420	79%	206%
Livestock Resource Management and Development	Livestock Production and Extension Services	55,326,343	-	39,190,767	-	71%	
Fisheries development	Management and Development of Capture Fisheries	7,354,173	1,000,000	1,135,711	1,000,000	15%	100%
		<b>177,040,742</b>	<b>365,575,812</b>	<b>144,132,085</b>	<b>328,466,264</b>	<b>81%</b>	<b>90%</b>
DEPARTMENT: WATER, ENERGY, NATURAL RESOURCES AND ENVIRONMENT							
Environment policy development and coordination	Planning Coordination Policy and Administrative Services	140,960,355	25,618,837	142,407,831	23,866,110	101%	93%
Water supply services	Rural Water Supply	13,973,838	337,873,416	13,992,280	294,715,590	100%	87%
		<b>154,934,193</b>	<b>363,492,253</b>	<b>156,400,110</b>	<b>318,581,700</b>	<b>101%</b>	<b>88%</b>
DEPARTMENT: EDUCATION, YOUTH AFFAIRS, CULTURE AND SOCIAL SERVICES							
General Administration & planning services.	Policy Development and Administration	342,468,689	-	335,182,580	-	98%	

Basic Education	Early Childhood Development Education	181,293,396	93,574,311	175,595,508	25,918,831	97%	28%
Gender and Social Development	Social Welfare Services/Social Infrastructure Development	9,000,000	8,095,969	4,579,712	8,000,000	51%	99%
Youth development and empowerment services	Youth development (YP) Training	-	39,000,000	-	32,189,533		83%
		<b>532,762,085</b>	<b>140,670,280</b>	<b>515,357,800</b>	<b>66,108,364</b>	<b>97%</b>	<b>47%</b>
<b>DEPARTMENT: HEALTH SERVICES</b>							
Curative Health	Administration and Planning	1,527,229,294	188,774,449	1,361,862,890	141,490,179	89%	75%
Preventive and Promotive Health	Preventive Medicine and Promotive Health	1,100,839,902	232,777,403	1,060,173,459	190,736,189	96%	82%
		<b>2,628,069,196</b>	<b>421,551,852</b>	<b>2,422,036,349</b>	<b>332,226,368</b>	<b>92%</b>	<b>79%</b>
<b>DEPARTMENT: LANDS, HOUSING AND PHYSICAL PLANNING</b>							
Administration and support services	General Administration and Planning	48,241,424	26,500,000	51,293,341	26,500,000	106%	100%
Housing Development and Human Resource	Housing Development	10,628,496	66,037,768	10,595,882	63,407,368	100%	96%
Land policy and planning	Development Planning and Land Reforms	34,150,276	-	34,088,225	-	100%	0%
Land policy and planning	Land Use Planning	6,102,443	3,896,545	5,858,348	-	96%	0%
		<b>99,122,639</b>	<b>96,434,313</b>	<b>101,835,795</b>	<b>89,907,368</b>	<b>103%</b>	<b>93%</b>
<b>DEPARTMENT: PUBLIC WORKS, ROADS AND TRANSPORT</b>							
Transport Management and safety	General Administration Planning and Support Services	71,809,287	-	59,445,502	-	83%	
Infrastructure, Roads and Transport	Rehabilitation of Road	3,900,000	564,869,856	3,900,000	510,187,463	100%	90%
Infrastructure, Roads and Transport	Maintenance of Roads and Bridges/Periodic Maintenance	7,206,317	-	7,206,317	-	100%	0%
		<b>82,915,604</b>	<b>564,869,856</b>	<b>70,551,819</b>	<b>510,187,463</b>	<b>85%</b>	<b>90%</b>
<b>DEPARTMENT: TRADE, INDUSTRIALISATION, TOURISM, WILDLIFE AND COOPERATIVE MANAGEMENT</b>							
Trade development and investment	Fair trade Practices and Consumer Protection (weight & measures)	42,484,763	3,120,186	35,928,645	3,176,858	85%	102%
Trade development and investment	Administrative and Support Services.	16,348,095	-	14,524,907	-	89%	0%
Cooperative development and management	Cooperative Advisory & Extension Services.	2,196,502	-	2,196,502	-	100%	0%
		<b>61,029,360</b>	<b>3,120,186</b>	<b>52,650,054</b>	<b>3,176,858</b>	<b>86%</b>	<b>102%</b>
<b>DEPARTMENT: ICT AND E-GOVERNMENT</b>							

Information & Communication Service	News and Information Services	51,466,937	36,361,898	38,192,114	39,225,396	74%	108%
Information & Communication Service	ICT and BPO development services	4,366,170	-	4,366,170	-	100%	
		<b>55,833,107</b>	<b>36,361,898</b>	<b>42,558,284</b>	<b>39,225,396</b>	<b>76%</b>	<b>108%</b>
<b>DEPARTMENT: COUNTY PUBLIC SERVICE BOARD</b>							
Administration of Human Resources and Public Service	Establishment, Appointment, Discipline & Board Management	57,471,889	-	61,929,772	-	108%	
		<b>57,471,889</b>		<b>61,929,772</b>	<b>-</b>	<b>108%</b>	
<b>DEPARTMENT: PUBLIC SERVICE MANAGEMENT</b>							
Administration of Human Resources and Public Service	General Administration, Planning and Support Services	284,084,073	5,950,340	261,965,243	5,949,712	92%	100%
Administration of Human Resources and Public Service	Human Resource Development	140,786,184	-	93,188,717	-	66%	
		<b>424,870,257</b>	<b>5,950,340</b>	<b>355,153,960</b>	<b>5,949,712</b>	<b>84%</b>	<b>100%</b>
<b>County Executive Grand Total</b>		<b>4,891,472,900</b>	<b>2,582,612,374</b>	<b>4,525,682,075</b>	<b>2,182,937,623</b>	<b>93%</b>	<b>85%</b>

### **3.2 Medium Term Fiscal Framework**

The county government will continue to pursue fiscal responsibility to ensure prudence and transparency in the management of public resources as per the Public Finance Management Act section 107.

On the expenditure side, the County Government will continue with rationalization of expenditure to improve efficiency and reduce wastage. Expenditure management will be strengthened with implementation of the Integrated Financial Management Information System (IFMIS) across Departments.

The county will continue reorienting expenditure towards those priority programmes as identified in public consultative forums. The critical programmes to be implemented are expected to accelerate economic activities and socio-economic development.

### **3.3 Risks to the Outlook**

Various risks impact on the county economic performance. These may include adverse changes in macro- economic factors such as rise in inflation and interest rates and low growth in investments

At the county government level risks arise out of uncertainty both from internal and external factors. Managing such risks by recognizing and preparing for possible eventualities is an integral part of planning.

The main challenges that continue to be experienced relate to unrealized projected local revenue collection against the targeted projected collection by 32.7 per cent from the previous Financial Year, bloated wage bill at 42 per cent of total revenue and huge pending bills of over Kshs 613 million as



indicated in the last County Debt Management strategy Paper, some of which are statutory deductions that accrue huge interests.

The county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits.

#### **4.0 RESOURCE ALLOCATION FRAMEWORK FOR FY 2024/2025 FINANCIAL YEAR**

##### **4.1. 2024/2025 Budget framework**

The FY 2024/25 and the Medium-Term Budget framework builds up on the Government's efforts to stimulate and sustain economic activity, mitigate the adverse impact of COVID-19 pandemic on the economy and re-position the economy on a sustainable and inclusive growth trajectory. This will be achieved through implementation of programmes in the Economic Recovery Strategy, The Third Generation County Integrated Development Plan and priority programmes outlined in the Fourth Medium Term Plan (MTP IV) of the Vision 2030. Additionally, the County Government will continue to implement its fiscal consolidation plan to contain the pace of growth in debt. In this regard, particular emphasis will be placed on aggressive revenue mobilization including policy measures to whip in additional revenue and reign on expenditures to restrict its growth.

##### **4.1.1 Medium Term Fiscal Projections**

Going forward, and in view of the limited resources, MTEF budgeting will entail adjusting non-priority expenditures to cater for the priority sectors. In

the Meantime, the resource allocation will be based on the Annual Development Plan and the Fiscal Strategy Paper.

The priority social sectors will continue to receive adequate resources in the budget and are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors

### **Expenditure Forecasts**

The expenditure comprises recurrent and development votes. The County Treasury will endeavor to maintain fiscal responsibility principle of 70:30 in 2023/2024 for recurrent and development expenditures as required by section 107 of the Public Finance Management Act, 2012.

## **6.0 CONCLUSION AND WAYFORWARD**

The CBROP 2023 is being prepared against the backdrop of a Global economic outlook that has become more uncertain reflecting, the impact of the ongoing Russia-Ukraine conflict, effects of COVID-19 containment measures, elevated inflationary pressures, volatile financial markets, and persistent supply chain disruptions. To strengthen the economic recovery, the budget for FY 2023/24 and the medium term will focus on revenue mobilization and reduction on non-core expenditures.

Fiscal discipline will be important in ensuring proper management of funds and delivery of expected output. Effective and efficient utilization of funds by the various departments will be crucial in ensuring the county delivers her functions. Plans and programme are strictly adhered to achieve the objectives of the County government.